



## COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

1955 Workman Mill Road, Whittier, CA 90601-1400  
Mailing Address: P.O. Box 4998, Whittier, CA 90607-4998  
Telephone: (562) 699-7411, FAX: (562) 699-5422  
www.lacsd.org

GRACE ROBINSON CHAN  
Chief Engineer and General Manager

April 26, 2013

File No. 27-00.11-00

### ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

Board of Directors  
County Sanitation District No. 27  
of Los Angeles County

SD-1 May 14, 2013

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Directors:

The agenda includes the following item for the special meeting of the Board of Directors of the District meeting Tuesday, May 14, 2013.

1. Senior Ad Valorem Obligation Bonds. In 2003, while refinancing existing bonds on behalf of this District and all other active Districts, the Los Angeles County Sanitation Districts Financing Authority (comprised of all active Districts and governed by a Commission made up of those Districts' chairpersons) issued additional bonds to take advantage of very low interest rates. In 2011, interest rates again reached new lows and the Authority's Commission directed staff to proceed with another refinancing. Only that portion of the 2003 bonds sold for new capital projects was eligible for refinancing at that time. The remainder of the 2003 bonds is now eligible for refinancing and, because interest rates have remained extremely low, additional savings can be realized by refinancing those remaining bonds. This matter has been discussed with the Authority's Commission, which recommended proceeding with the refinancing. The proposed Resolution includes approval of the necessary documents, directs staff to distribute the documents, and authority for the Financing Authority to sell bonds on its behalf. Under the proposed action, the District would also pledge its pro rata share of the ad valorem property taxes to the repayment of the bonds and would approve the issuing of approximately \$206,000 of bonds, resulting in a net present value savings of \$57,000. The necessary extensive documents to be considered for the sale of the bonds are included on the attached disc.

Very truly yours,

*Robert C. Fanta*  
for Grace Robinson Chan

GRC:ew

Enclosures

DOG 2572946

Call, Notice, and Agenda

SPECIAL MEETING — BOARD OF DIRECTORS — COUNTY SANITATION DISTRICT NO. 27

To be held in the HEARING ROOM  
OF THE BOARD OF SUPERVISORS  
Kenneth Hahn Hall of Administration, Los Angeles, California

TUESDAY		May 14, 2013		At 9:30 A.M.
ANTONOVICH	KNABE	RIDLEY-THOMAS (Chairperson)	MOLINA	YAROSLAVSKY

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At the call of the Chairperson, a special meeting of the Board of Directors of County Sanitation District No. 27 of Los Angeles County will be held at the above time and place for the purpose of:

1. Recommendation: Adopt a resolution approving the issuance of bonds and authorizing the following:
  - (a) Execution and delivery by the district of a Joint Acquisition Agreement and Bond Purchase Agreement in connection with the issuance of Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2013 Series A (Senior Ad Valorem Obligation Bonds)
  - (b) Distribution of Preliminary Official Statement and Official Statement in connection therewith
  - (c) Execution of necessary documents and certificates and related actions

Adjourn



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Board of Directors  
County Sanitation District No. 27  
of Los Angeles County

Directors:

### **Proposed 2013 Revenue Bond Sale**

In 1993, the Los Angeles County Sanitation Districts Financing Authority issued revenue bonds on behalf of this District. The impetus for issuing bonds at that time was two-fold: (1) to spread the cost of major capital projects over a longer time period to reduce the financial impact in any given year, and (2) to protect the District's remaining pro rata share of the ad valorem property taxes from taking by the State. In 2003, this District took advantage of historic low-interest rates to refinance that debt and to issue additional bonds for new capital projects. In 2011, interest rates again reached new lows and the Authority's Commission directed staff to proceed with another refinancing. Only that portion of the 2003 bonds sold for new capital projects was eligible for refinancing at that time. Since the remaining amount of 2003 bonds used to refinance the 1993 bonds constituted an "advanced refunding" of the 1993 bonds, it was not eligible for refinancing until now.

Because interest rates have remained extremely low, additional savings can be realized by refinancing the remaining bonds. The proposed refinancing and the potential savings were discussed with the Authority's Commission on March 27 and they concurred with moving forward with the refinancing at this time. The following details the specifics of the proposed transaction and the steps that must be taken by the Board to bring it to conclusion.

The refinancing is accomplished by issuing new bonds (the 2013 bonds). The proceeds from these bonds will be placed into a short-term escrow account until the remaining 2003 bonds can be called in October and paid off in full. The size of the proposed bond issuance for this District will be approximately \$206,000. Because the overall interest rate will be lower than the existing interest rate on the remaining 2003 bonds, there will be a total estimated net savings of \$57,000 (based on rates as of March 26).

The proposed bonds will be sold by the Los Angeles County Sanitation Districts Financing Authority, a joint powers authority that was established in 1993 for selling the original bonds. The membership consists of all of the active Districts and is governed by a commission consisting of the Chairs of each District. Each District will enter into a separate agreement (the "Joint Acquisition Agreement") for a proportionate share of the 2013 bonds to be sold by the Financing Authority. This is

the same structure that was used for selling the original 1993 bonds and the subsequent 2003 and 2011 bonds.

The proposed bonds and the Districts' ability to repay them must be submitted to rating agencies (Moody's and Standard & Poor's). The primary vehicle for submitting this data is the Preliminary Official Statement, a copy of which is included. To achieve the highest rating possible, the Districts are being rated as a collective entity instead of on a District-by-District basis. This allows the Districts to take advantage of their collective size and financial strength. Another provision that strengthens the Districts' standing is known as the "step-up" provision. This provision, which was part of the original 1993 bonds and the subsequent 2003 and 2011 bonds, would only be invoked in the event of a default by an individual District and would require the other Districts to contribute a maximum of 20% of their annual payment towards the defaulting District's bond repayment. Considering the financial strength of each District, and that the ad valorem taxes are pledged for repayment and must be used for repayment before they can be used for any other purpose, there is little chance that a default could occur.

To complete the transaction, the Board of Directors must first authorize the sale of the bonds. This is done through the resolution that is on the agenda for the May 14, 2013 Board meeting. The resolution approves all of the necessary documents in substantially final form, directs staff to distribute them, and authorizes the Financing Authority to sell bonds on its behalf. A resolution is used because the official documents cannot be finalized until after the pricing is complete in June. The resolution authorizes the Chair of the District, or the Chief Engineer and General Manager, or their designees to sign the final document after the close of pricing.

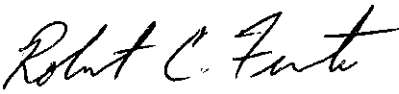
The contents of the necessary documents are summarized below and the complete documents are provided on the enclosed disc.

- Preliminary Official Statement – This document is equivalent to a prospectus that would be issued when buying or selling stock. It contains general information about the Districts, provides specific historic and projected financial data, gives information on the size of the proposed bond transaction and intended uses of the proceeds, and summarizes the requirements of the other bond documents.
- Joint Acquisition Agreement – Through this agreement, each District contracts for a proportionate share of the total bond proceeds issued by the Financing Authority. Similarly, each District covenants to make the repayment corresponding to its share of the bond proceeds. As part of those covenants, each District agrees to set appropriate service charge rates, to provide continuing disclosure, and to "step-up" in the event of default by another District. It also establishes the parameters under which a District can undertake additional debt (either bonds or loan).
- Indenture -- This agreement is between the Financing Authority and the Trustee (a third party acting on behalf of the bond holders). The Indenture establishes the accounting practices that must be used and creates a flow of funds to ensure that the bondholders are repaid in a timely and orderly fashion.
- Continuing Disclosure Agreement – The Securities and Exchange Commission (SEC) requires that bond underwriters provide continuing and updated information on any bonds they have sold. Because the Districts are the primary source of the necessary information, the underwriters require that the Districts provide continuing and updated financial information on an annual basis. This agreement effectuates that requirement. For the most part, the required information is already contained in the Districts' Comprehensive Annual Financial Report.

- **Bond Purchase Agreement** – This agreement is between the Districts, the Financing Authority and the underwriters. It requires the underwriters to purchase the bonds from the Districts for resale to the public and requires the Districts, through the Financing Authority, to make the bonds available to the underwriters.

As stated above, this matter will be on the agenda for the May 14, 2013 Board meeting and will be discussed with the Directors. Should you have any questions prior to the meeting, please call me or David Bruns of my staff at extension 2704.

Very truly yours,

  
for Grace Robinson Chan

GRC:ew

Enclosures

**RESOLUTION OF THE BOARD OF DIRECTORS OF COUNTY SANITATION DISTRICT NO. 27 OF LOS ANGELES COUNTY AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF A JOINT ACQUISITION AGREEMENT AND A BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY CAPITAL PROJECTS REVENUE BONDS, 2013 SERIES A (SENIOR AD VALOREM OBLIGATION BONDS), AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT IN CONNECTION THEREWITH AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS**

**WHEREAS**, the Los Angeles County Sanitation Districts Financing Authority (the "Authority") previously issued its Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2003 Series A (Senior Ad Valorem Obligation Bonds) (the "Prior Bonds");

**WHEREAS**, the Prior Bonds were issued to finance and refinance certain improvements to the sewerage systems of certain of the County Sanitation Districts of Los Angeles County (the "Districts"), including County Sanitation District No. 27 of Los Angeles County (the "District");

**WHEREAS**, in order to achieve certain savings, the Authority and the Districts desire to refund the outstanding Prior Bonds;

**WHEREAS**, in order to provide funds to refund the Prior Bonds, the Authority and the Districts desire that the Authority issue its Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2013 Series A (Senior Ad Valorem Obligation Bonds) (the "Bonds");

**WHEREAS**, the Bonds will be payable from and secured by installment payments (the "Installment Payments") to be made by the Districts pursuant to a Joint Acquisition Agreement by and among the Districts and the Authority (such Joint Acquisition Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Joint Acquisition Agreement");

**WHEREAS**, the Bonds will be issued pursuant to an Indenture by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture");

**WHEREAS**, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters (the "Underwriters"), has presented the Authority and the Districts with a form of Bond Purchase Agreement, pursuant to which the Underwriters propose to purchase the Bonds (such Bond Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Purchase Agreement");

**WHEREAS**, a draft of the Preliminary Official Statement to be used in connection with the offering and sale of the Bonds has been prepared (such Preliminary Official Statement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution being referred to herein as the “Preliminary Official Statement”);

**WHEREAS**, there have been prepared and submitted to this meeting forms of;

- (a) the Joint Acquisition Agreement;
- (b) the Indenture;
- (c) the Purchase Agreement; and
- (d) the Preliminary Official Statement;

**WHEREAS**, the Board of Directors of the District (the “Board”) desires to approve the issuance of the Bonds and the execution of such documents and the performance of such acts as may be necessary or desirable to effect the issuance of the Bonds;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of County Sanitation District No. 27 of Los Angeles County, as follows:

**Section 1.** All of the recitals herein contained are true and correct and the Board so finds.

**Section 2.** The form of Joint Acquisition Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Chairperson of the Board, the Chairperson *Pro Tem* of the Board, or such other member of the Board as the Chairperson may designate, the Chief Engineer and General Manager of the District and the Assistant Chief Engineer and Assistant General Manager of the District (collectively, the “Authorized Officers”) is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute and deliver the Joint Acquisition Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate principal amount of Installment Payments payable by the District under the Joint Acquisition Agreement shall not exceed \$270,000, the term of the Joint Acquisition Agreement shall not extend beyond October 1, 2023 and the true interest cost applicable to the Installment Payments payable by the District under the Joint Acquisition Agreement shall not exceed 4.0% per annum.

**Section 3.** The issuance of the Bonds in accordance with the terms of the Indenture, in substantially the form presented to this meeting, is hereby approved.

**Section 4.** The form of Purchase Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute and deliver the Purchase Agreement in substantially said form, with such changes, insertions and omissions therein as the

Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the Underwriters' discount for the sale of the Bonds (exclusive of any original issue discount) shall not exceed 0.5% of the initial aggregate principal amount of the Bonds.

**Section 5.** The form of Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. If determined by the Authority to be necessary or appropriate, the Authorized Officers are hereby authorized to certify on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule).

**Section 6.** The preparation and delivery of a final Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Bonds, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute the final Official Statement and any amendment or supplement thereto, for and in the name of the District.

**Section 7.** The Chief Engineer and General Manager of the District, and her designees, are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

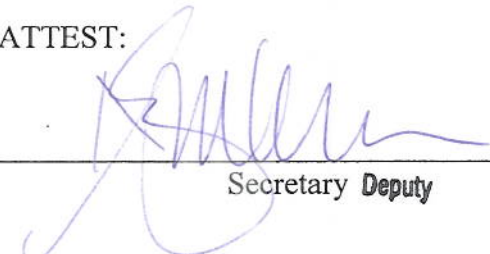
**Section 8.** All actions heretofore taken by the Chief Engineer and General Manager of the District, the designees of the Chief Engineer and General Manager of the District and the authorized agents of the District with respect to the transactions herein authorized above are hereby approved, confirmed and ratified.

**Section 9.** This Resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** by the Board of Directors of County Sanitation District No. 27 of Los Angeles County on May 14, 2013.

  
Chairperson

ATTEST:

  
Secretary Deputy

